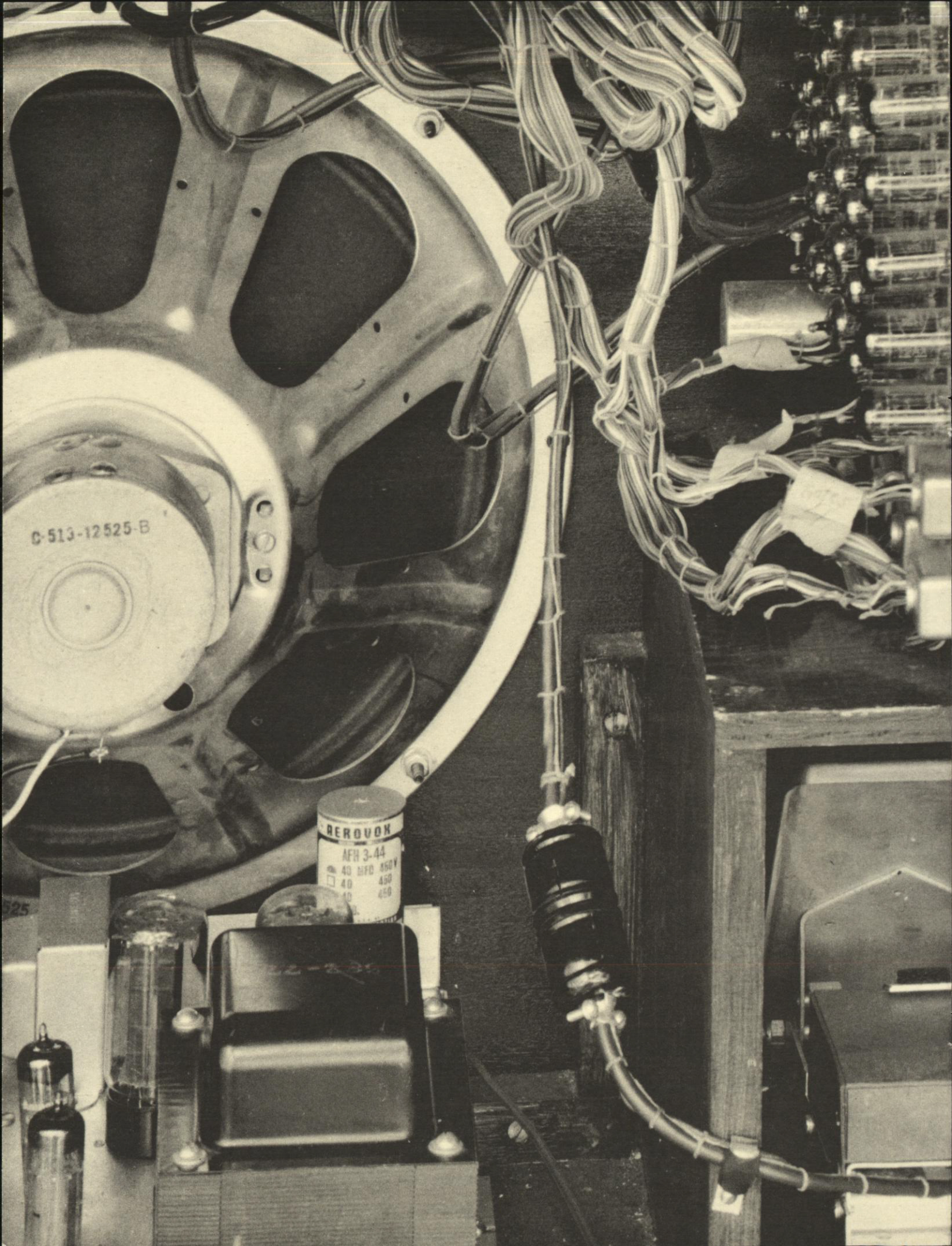


The Baldwin Piano Company Annual Report

One Hundredth Year

YEAR ENDING DECEMBER 31, 1962



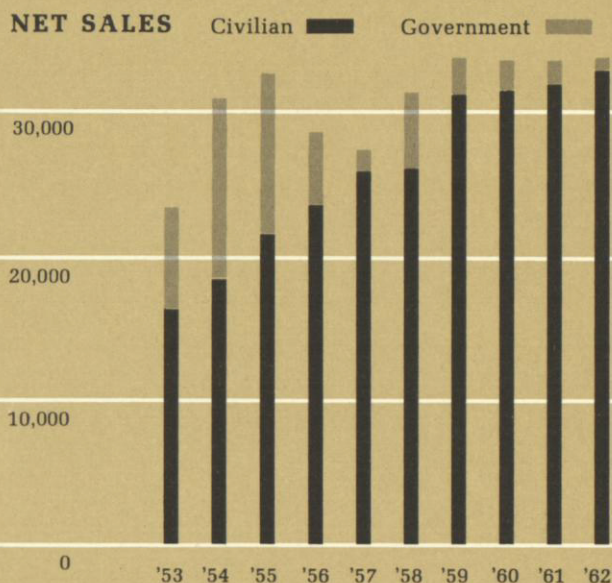


CREDIT DEPT.
MAR 29 1963

FINANCIAL HIGHLIGHTS

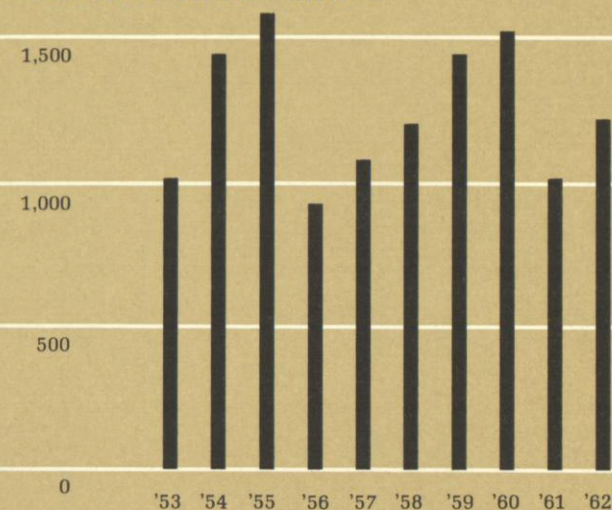
The Baldwin Piano Company

	1962	1961
Net Sales	\$33,786,304	\$33,313,704
Earnings before taxes	2,240,900	1,913,776
Federal Income Taxes	1,000,000	910,000
Net Earnings	1,240,900	1,003,776
Per common share	\$4.47	\$3.61
Dividends paid on common stock	482,275	413,379
Per common share	\$1.75	\$1.50



(In thousands of dollars)

EARNINGS AFTER TAXES



(In thousands of dollars)

The manufacture and sale of electronic organs has become an important part of Baldwin's business.



The Baldwin Piano Company

Annual Report

One Hundredth Year

DIRECTORS

Robert E. Fanning
John F. Jordan
Lawrence H. Kyte
William A. Mitchell
James M. E. Mixter
A. J. Schoenberger
Morley P. Thompson
Eugene Wulsin
Lucien Wulsin
Lucien Wulsin, Jr.
Philip Wyman

OFFICERS

Lucien Wulsin, *Chairman of the Board*
Philip Wyman, *Vice Chairman of the Board*
Lucien Wulsin, Jr., *President*
A. J. Schoenberger, *Vice President*
John F. Jordan, *Vice President*
James M. E. Mixter, *Vice President*
Eugene Wulsin, *Vice President*
Morley P. Thompson, *Treasurer*
R. F. Coghill, *Secretary*
Charles G. Lindeman, *Controller*
Irwin Stumborg, *Assistant Treasurer*
L. H. Ellis, *Assistant Secretary*



GENERAL OFFICES: Cincinnati, Ohio

SUBSIDIARIES: The Baldwin Piano Company (Canada) Limited
A. R. & T. Electronics, Inc.
Baldwin, S. A., Geneva, Switzerland

MANUFACTURING PLANTS:
Cincinnati, Ohio; Conway, Arkansas;
Fayetteville, Arkansas; Greenwood, Mississippi;
Little Rock, Arkansas; Toronto, Canada

AFFILIATE: Siliconix Incorporated

GENERAL COUNSEL: Kyte, Conlan, Wulsin and Vogeler

DEALERS: In principal cities in the United States, and abroad

COMPANY-OWNED SALES OUTLETS:
Boston, Chicago, Cincinnati, Denver, Kansas City,
Los Angeles, Louisville, New York, Pittsburgh,
San Francisco, St. Louis

Report of the President to the Stockholders of The Baldwin Piano Company

1962 was memorable in the history of this Company; it marked the beginning of our second one-hundred years. Events occurred which portend a new era of growth. They are set forth briefly in the details of the year's operations that follow.

The Financial Highlights of the past year are set forth on page 1. The Balance Sheet, as of December 31, 1962, with comparative figures for 1961, is shown on pages 6 and 7; the Statement of Income and Earnings Reinvested in the Business is shown on page 8. Your attention is also directed to the explanatory notes to these financial statements. On December 31, 1962, total current assets amounted to \$29,587,000 and total current liabilities \$9,512,000, a ratio of 3.1 to 1.

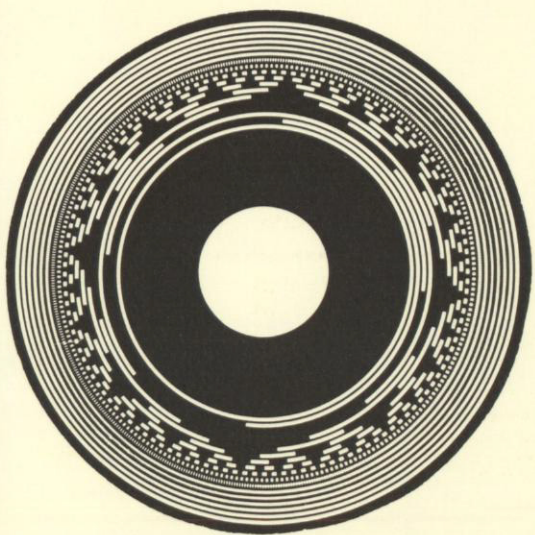
SALES. During the year 1962, sales were \$33,786,000 compared with \$33,314,000 for the similar period in 1961. This represents a 1.5 per cent increase over the prior year. Of this total, piano and organ sales amounted to \$32,758,000 and nonmusical sales amounted to \$1,028,000. Piano and organ sales increased 3.5 per cent over the previous year. This modest increase occurred in both pianos and organs and was obtained in spite of the unsettling economic and political crises which occurred in the year 1962. The increasing success of our rental purchase plan for pianos has augmented sales but it also has increased our inventory of finished merchandise. Our nonmusical sales declined 38.4 per cent. This decline was due to the absence in 1962 of production of influence fuzes for the military. A contract for the procurement of such was in effect in 1961. Further production will be made in 1963.

A significant part of the Company's business is the installment financing of consumer purchases of our products through both our dealers and our retail stores. The net amounts due the Company by the purchasers are shown on our books as Accounts Receivable. During the year these accounts increased from \$10,013,000 at the end of 1961 to \$12,187,000 at the end of 1962.

EARNINGS. After providing for Federal income taxes, earnings for the year 1962 were \$1,241,000 compared with \$1,004,000 in 1961. This increase of 23.6 per cent arose out of our increased sales of pianos and organs; a reduction in our starting costs in Greenwood, Mississippi, as anticipated in last year's report; an increase in the earnings from sales of nonmusical items; and an increase in earnings from the financing of installment sales. Even though the earnings of the Company showed a significant improvement over the prior year, they are not satisfactory and we are continually seeking to improve our results.

FACILITIES. During the year, the construction of warehouse facilities in Greenwood, Mississippi, was completed. This warehouse enables us to gather in one central location merchandise to satisfy our customers' demands during the height of the buying season. With its completion, we now have at Greenwood in a unified one-floor facility a complete woodworking, warehousing and piano manufacturing plant. This implementation of our previously announced plans for up-to-date facilities should provide greater earning power in the future.

Our efforts to increase and improve our quality are continuing as always. We know that high standards of excellence are vital and obtainable in all phases of our manufacturing operation wherever located.



To the uninitiated eye, this Coded Disc might seem to be no more than a pleasing contemporary design. It is in fact a significant symbol of Baldwin precision engineering and achievement.

PRODUCTS. In July of last year, we introduced a new church organ, the Model 11. It represents the latest development in this specialized field. Rather than try to describe the innovations it contains, we recommend that you visit your nearest Baldwin representative and hear for yourself its magnificence of sound and tonal variety.

We also introduced new styles in the Acrosonic, the Howard, and the Orga-sonic lines, and a Centennial model Baldwin grand. Initial production of these models came in the last part of the fourth quarter.

In our nonmusical field a most significant event occurred: when Colonel John H. Glenn, Jr. was launched into orbit in February, 1962, the guidance system for the flight was equipped with a Baldwin digital encoder. The high degree of accuracy that can be achieved with our encoder makes it eminently suitable for use in other devices where continuous accurate angular measurements are required. Adapting this achieved accuracy to commercial products is slow but promises well for the future in those instances where industry needs increasingly precise angular measurements.

FOREIGN OPERATIONS. The Baldwin Piano Company (Canada) Ltd., showed increased sales in 1962. This Company, however, incurred starting costs on the introduction of new organ models into our production line and the expansion of our plant facilities in Toronto.

Sales of organs by Baldwin, S.A., in Europe, are in the early stages of development.

PERSONNEL. At the annual meeting of stockholders held April 2, 1962, Morley P. Thompson and Lawrence H. Kyte were elected to an enlarged eleven-man Board of Directors. Thereafter, the Directors announced the following changes of executive personnel: Lucien Wulsin retired as President and was elected Chairman of the Board; Lucien Wulsin, Jr., was elected President; Philip Wyman retired as Vice President and continues as Vice Chairman of the Board; A. J. Schoenberger was designated Senior Vice President; James M. E. Mixter was designated Vice President in charge of sales; Charles G. Lindeman was elected Controller.

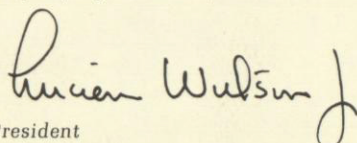
AFFILIATE. The Company continues its interest in its affiliate, Siliconix Incorporated, a manufacturer of semiconductor microcircuits. This latter company brought into production in the fourth quarter of 1962 a high-quality, field-effect transistor. In February of this year, it announced for sale integrated circuits with high-speed performance in billionths of a second. These developments in the transistor field are significant in the forefront of this art and represent major technical accomplishments for this new company.

ACTIVITIES. During our 100th year, we commissioned the distinguished American composer, Mr. Norman Dello Joio to create a work for piano and orchestra. Performances in Cincinnati, in New York City, and in Boston have been acclaimed and a recording will soon be released.

In July we held a Centennial sales meeting at Cincinnati for our dealers, at which time awards for distinguished sales performance were presented. Over 1,200 people from all parts of the country attended.

In the year 1963 we will continue to press our sales of pianos and organs and to improve our sales performance. We have the inventory, the expanded line, and the manufacturing capacity to supply our customers' needs. Our nonmusical business should also expand on a profitable basis. We are continuing to improve the efficiency of our new plants with consequent cost reduction.

Respectfully submitted,



President

Cincinnati, March 25, 1963

Consolidated Balance Sheet THE BALDWIN PIANO COMPANY AND SUBSIDIARIES

ASSETS

1962

1961

Current assets:

Cash	\$ 1,330,012	\$ 1,066,036
Receivables (note 1):		
Installment accounts	\$11,664,711	\$ 8,520,112
Amounts withheld by banks on installment accounts sold	522,171	1,492,597
Miscellaneous	721,035	1,304,605
	<u>12,907,917</u>	<u>11,317,314</u>
Less reserve for losses including possible losses on installment accounts sold to banks	<u>1,610,247</u>	<u>1,584,942</u>
	11,297,670	9,732,372
Government contracts — billings and inventories (note 2)	741,181	475,153
Inventories (note 2):		
Finished goods	10,946,919	9,362,328
Work in process	2,679,544	2,650,200
Raw materials and manufacturing supplies	<u>2,346,968</u>	<u>2,322,782</u>
	15,973,431	14,335,310
Prepaid expenses	<u>244,725</u>	<u>252,702</u>
Total current assets	29,587,019	25,861,573

Insurance deposits	172,303	173,072
-------------------------------------	---------	---------

Investments and advances (note 3) .	681,935	—
--	---------	---

Plant and equipment —at cost (note 4)	8,880,574	8,810,952
Less allowance for depreciation . . .	<u>5,098,390</u>	<u>4,719,409</u>
	<u>\$34,223,441</u>	<u>\$30,126,188</u>

See accompanying notes to financial statements.

December 31, 1962 with comparative figures for 1961

LIABILITIES

1962

1961

Current liabilities:

Notes payable, including current portion of long-term debt, \$400,000	\$ 5,400,000	\$ 1,650,000
Accounts payable, including taxes withheld and collected (\$965,185 and \$955,079)	1,898,948	2,360,770
Accrued liabilities	1,705,074	1,773,174
Federal taxes on income	215,778	—
Deferred income, less Federal income tax thereon \$118,675 and \$300,000 (note 1)	108,472	376,539
Customers' deposits	183,870	184,657
Total current liabilities . .	9,512,142	6,345,140

Long-term debt—

less current portion (note 5)	4,400,000	4,800,000
---	-----------	-----------

Deferred taxes on income (note 1)	1,906,124	1,324,820
--	-----------	-----------

Stockholders' Equity (notes 5, 6 and 7):

Capital stock:		
6% cumulative preferred, par value \$100 per share; authorized 2,327 shares; outstanding 1,613 shares	\$ 161,300	\$ 161,300
Cumulative preferred, par value \$100 per share; authorized 60,000 shares; outstanding—none	—	—
Common, par value \$8 per share; authorized 500,000 shares; outstanding 275,592.6 shares	2,204,740	2,204,740
	2,366,040	2,366,040
Earnings capitalized and other additions to capital	254,720	254,720
Earnings reinvested in the business	15,784,415	15,035,468
	18,405,175	17,656,228
	<u>\$34,223,441</u>	<u>\$30,126,188</u>

Statement of Consolidated Income and Earnings Reinvested in the Business

Year ended December 31, 1962 with comparative figures for 1961

1962

1961

Income:

Net sales	\$33,786,304	\$33,313,704
Other revenues	1,347,107	1,251,843
	<u>35,133,411</u>	<u>34,565,547</u>

Expenses:

Cost of sales and operating expenses (exclusive of the following)	31,016,952	30,968,541
Taxes, other than Federal taxes on income	877,275	784,495
Depreciation and amortization	548,859	560,094
Interest	449,425	338,641
	<u>32,892,511</u>	<u>32,651,771</u>
Income before Federal taxes on income	2,240,900	1,913,776

Federal taxes on income	<u>1,000,000</u>	<u>910,000</u>
-----------------------------------	------------------	----------------

Net income for year	1,240,900	1,003,776
-------------------------------	-----------	-----------

Earnings reinvested in the business

at beginning of year (note 6)	15,035,468	14,454,749
	<u>16,276,368</u>	<u>15,458,525</u>

Deduct:

Dividends declared:		
Preferred stock — \$6.00 per share	9,678	9,678
Common stock — \$1.75 and \$1.50 per share . . .	482,275	413,379
	<u>491,953</u>	<u>423,057</u>

Earnings reinvested in the business

at end of year	<u>\$15,784,415</u>	<u>\$15,035,468</u>
--------------------------	---------------------	---------------------

See accompanying notes to financial statements.

THE BALDWIN PIANO COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 1962

- 1 In connection with the adoption of the installment method of reporting income for income tax purposes, the Company sold, in 1960, its interest in certain installment accounts including carrying charges. The income resulting from the sale of carrying charges was deferred and is being reflected as income in the financial statements over the lives of the installment contracts. Deferred taxes on income represent the provision for future taxes on income as a result of deferring, for income tax purposes, the gross profit on uncollected installment accounts.
- 2 In accordance with the Company's consistent policy, inventories are stated at the lower of cost (first-in, first-out) or market with the exception that the valuation of certain work in process includes no manufacturing overhead costs. The omission of overhead had no material effect upon net income after taxes.
- 3 The investment in and advances to affiliate, organized in 1962, aggregating approximately \$563,000 are stated at cost. In keeping with the affiliate's conservative accounting practice, extraordinary expenditures for research, product development and start up costs have been charged to expense. The Company's equity in the net assets, based on audited statements as of December 31, 1962, was approximately \$197,000. No provision has been made in the accompanying financial statements for possible decline in the value of the investments and advances as, in the opinion of management, there has been no impairment thereof.
The accounts of Baldwin S.A., a foreign subsidiary formed in 1962, have not been consolidated in the accompanying financial statements. The amounts are not material.
- 4 The Company has an agreement, expiring in 1985, providing for the leasing of a plant. The average annual rental payable over the remaining term of the agreement is approximately \$175,000.
- 5 Long-term debt is represented by a 5% note payable in annual installments of \$400,000. The loan agreement contains certain restrictions on the payment of dividends on the Company's common stock (other than those payable in capital stock of the Company), and on the amounts which may be used for the purchase, redemption, or retirement of the Company's capital stock. Approximately \$1,853,000 of the earnings reinvested in the business at December 31, 1962 is free of these restrictions.
- 6 Earnings reinvested in the business include amounts shown in prior years as reserves appropriated therefrom.
- 7 The Company maintains a stock option plan for certain employees. At December 31, 1962 there were outstanding options to purchase 8,150 shares of common stock at a price not less than the market value on the date of granting.

ACCOUNTANTS' REPORT

PEAT, MARWICK, MITCHELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
DIXIE TERMINAL BUILDING
CINCINNATI 2, OHIO

The Board of Directors and Stockholders The Baldwin Piano Company:

We have examined the consolidated balance sheet of The Baldwin Piano Company and subsidiaries as of December 31, 1962 and the related statement of income and earnings reinvested in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated balance sheet and statement of consolidated income and earnings reinvested in the business present fairly the financial position of The Baldwin Piano Company and subsidiaries at December 31, 1962 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles, applied on a basis consistent with that of the preceding year.

Cincinnati, Ohio
March 11, 1963

Peat, Marwick, Mitchell & Co.

Ten Year Comparative Statement of Operations

1962

Total Net Sales	\$33,786
Net Sales—Civilian	32,758
Net Sales—Government	1,028
Earnings before taxes on income	2,241
Federal income taxes	1,000
Net earnings for the year	1,241
Per common share*	\$4.47
Cash dividends paid on common stock	482
Per common share*	\$1.75
Annual earnings reinvested in the business	749
Stockholders' Equity	18,405
Book value per common share*	\$66.20

*Adjusted for 100% Stock Dividend in 1956, and 3% Stock Dividend in 1957. Expressed in dollars.

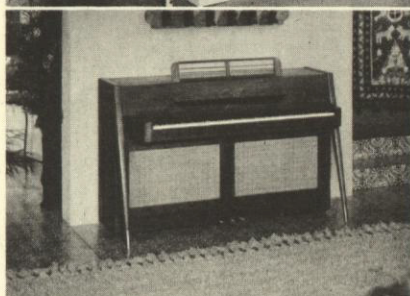
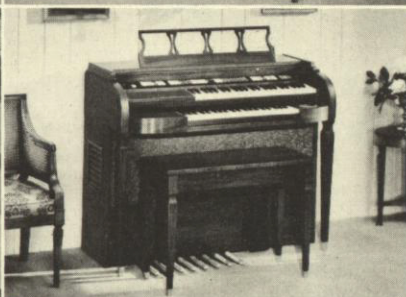
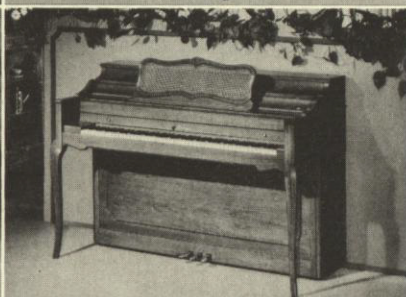
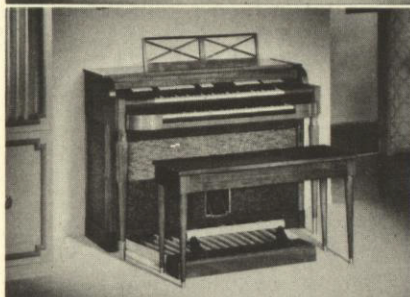


(in thousands of dollars)

1961	1960	1959	1958	1957	1956	1955	1954	1953
\$33,314	\$33,683	\$33,811	\$31,334	\$27,419	\$28,685	\$32,523	\$30,839	\$23,120
31,645	31,427	30,836	26,132	25,771	23,308	21,470	18,791	16,646
1,669	2,256	2,975	5,202	1,648	5,377	11,053	12,048	6,474
1,914	3,211	3,066	2,552	2,277	2,163	3,697	3,243	2,353
910	1,700	1,605	1,358	1,187	1,224	2,100	1,785	1,350
1,004	1,511	1,461	1,194	1,090	939	1,597	1,458	1,003
\$3.61	\$5.45	\$5.27	\$4.30	\$3.92	\$3.37	\$5.76	\$5.26	\$3.60
413	413	413	331	276	268	401	268	268
\$1.50	\$1.50	\$1.50	\$1.20	\$1.00	\$.97	\$1.46	\$.97	\$.97
580	1,089	1,038	853	806	661	1,186	1,182	726
17,656	17,076	15,987	14,949	14,096	13,290	12,629	11,443	10,261
\$63.48	\$61.38	\$57.43	\$53.66	\$50.56	\$47.64	\$45.24	\$40.93	\$36.65



Musical instruments and space-age products both employ a variety of electronic components. The tiny 1" diameter, 13 digit encoder is a marvel of precision design.



The inherently beautiful shape of a grand piano is dramatized in this plant shot of an early stage of rim production.



